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OCTOBER 16, 1989

A Cahners publication serving the total foodservice industry

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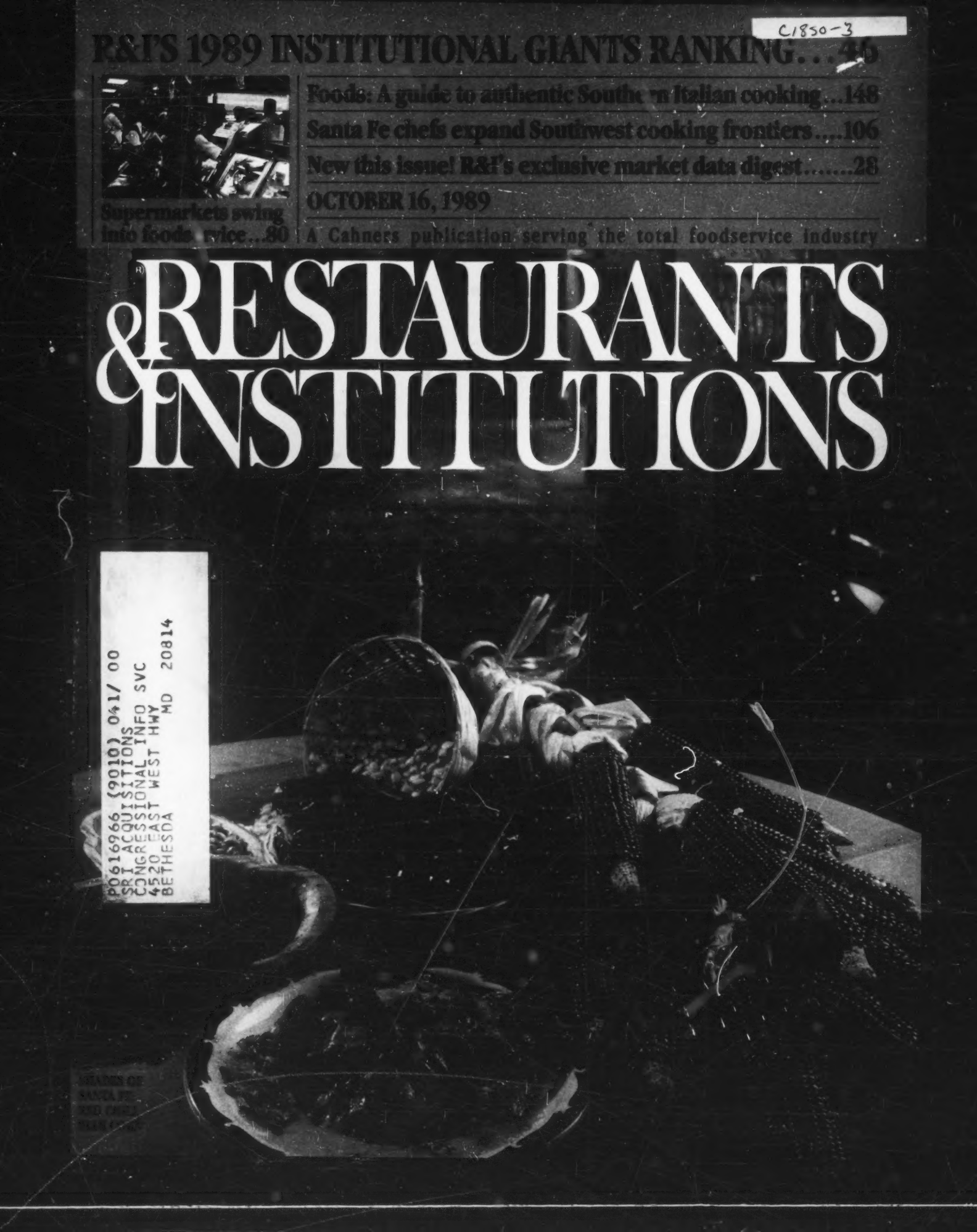

OCT. 16, 1989

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(L.) New Mexican-style beef with oysters from Coyote Cafe, Santa Fe.

■ LABOR

English Language Programs Are Worth the Investment

With management's support, classes can increase operating efficiencies.

People with limited English language skills represent a growing percentage of hospitality industry job applicants. Their difficulties in communicating effectively with co-workers and guests can create both production and image problems.

However, a handful of industry trendsetters are attacking the problem by developing basic, job-related English language courses taught on site to enhance employees' cultural comfort level, upgrade performance, improve guest relations and add to the quality of their own lives.

While creating a program might sound complicated, those who have tried report few problems once they learn where to start.

"Contact state and local departments of education and find out what type of funding and educational assistance is available for adult education," says Claudia Riedl, education coordinator for the Boca Raton (Fla.) Resort and Club.

At the Boca Raton Club and The Breakers Hotel in Palm Beach, Fla., teachers for the basic English courses are provided by the local school district at no cost because the operations meet minimum state requirements for class attendance.

At Harrah's Marina Hotel/Casino in Atlantic City, N.J., training supervisor Mary Marie Bittner contracted Literacy Volunteers of America (headquartered in Syracuse, N.Y.) to train 15 volunteer employees as tutors. At a cost of approximately $50 a trainee, LVA provided a 15-hour course to teach the volunteers the skills necessary to tutor those at or below elementary reading levels.

In January, Dallas-based Tony Roma's hired a certified "English as a Second Language" (ESL) instructor for its $7 million a year operation just outside Universal Studios in Los Angeles. The basic English course, taught at the restaurant, runs for 10 weeks, Monday through Friday from 8 a.m. to 9 a.m. At $50 an hour for the free-lance instructor, the semester cost absorbed by the unit is $2,500.

Although the Boca Raton resort has had an ESL program since 1984, Riedl was hired to design the curriculum to be more job specific.

"The most effective course of action is at the immediate site of employment," says Riedl. "Employees at low academic levels have a hard time transferring classroom principles to the job site. So I travel to a dishroom or cook's station every day to reinforce that educational atmosphere."

Recruiting is tougher when applicants lack basic language skills.

Before starting the optional 10-week class for the more than 50 Hispanic employees at the Tony Roma unit in Los Angeles, the instructor interviewed front- and back-of-the-house managers to uncover common problems and develop a list of terms to study in class.

To reinforce the learning experience during the summer when school is out, the instructor found a small paperback book, *See It and Say It In English* (Houghton Mifflin). Tony Roma's paid the teacher to put together an audio tape to go along with the book so students would have correct pronunciations to follow.

Employees paid $4 for the book but were given the tape free of charge. A number of the employees were so happy with the results that they purchased extra copies for family members. The book will be made available to the chain's general managers around the country to distribute to any new Spanish-speaking employees

Posters, newsletters and inserts for pay envelopes are popular methods to publicize training programs.

as part of their orientation.

The fruits of efforts made at Harrah's, the Boca Raton resort and Tony Roma's were realized almost as soon as the classes started. All three operations report improved productivity and employee morale.

"We are getting better at kitchen procedures and sanitation because the Hispanic employees now understand why they have been asked to do a certain task," says Linda Bryant, responsible for the Tony Roma's program. "Too often in this industry, employees are just told to do something without an explanation because it is too difficult to communicate."

Since many businesses surrounding the Tony Roma's unit are heavily unionized, the English classes also have helped build a solid working relationship with employees, according to Bryant.

Not every hospitality operation has been successful with its English training program, however.

"Our workers tend to have more than one job and would rather spend their time earning money than learning English," says a human resources executive for a large fast-food chain. "We ran a program for awhile, but workers received no support in their day-to-day environment to practice those skills. Managers would continue to speak only Spanish to their subordinates, providing little incentive for them to improve their English skills."

The executive adds, "We also failed to get a tough commitment from top management. Even though they say it is important, so far it has been nothing but lip service."

Other training and development directors agree that budget-conscious executives have been rather "ho-hum" in their support of language programs.

"The hospitality industry always looks at immediate production value and considers workers as short-term employees," says Ken Yurk, training specialist for the American Club Hotel in Kohler, Wis. "They don't want to make an investment in someone who will be gone in short order. That is a mistake.

"We need to look at every employee and say, 'What can we do to make sure they will stay with us for 10 years?' " adds Yurk. "We also need to look at employees not just for the job for which they were hired but what potential they have for the future."

Another problem with the voluntary programs has been getting employees to overcome embarrassment about their deficiencies.

Yurk, who stresses employee involvement in basic math, and writing programs as well as in English classes, has overcome the embarrassment factor by training an entire department rather than singling out an individual who needs help.

"It provides a comfort level for people who need to learn a certain skill and is more cost effective because we work on a group instead of individual basis," says Yurk.

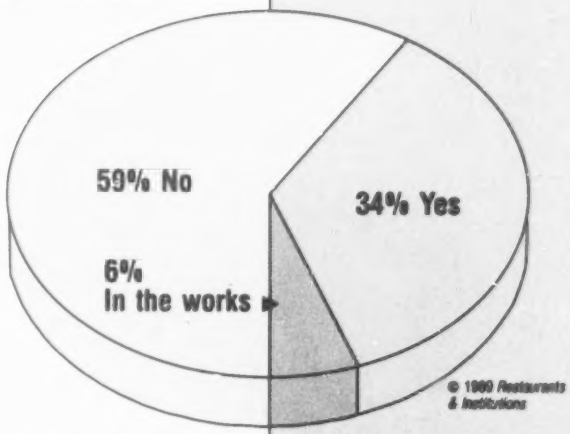
Despite the drawbacks and complications, an ESL program is a good idea for aiding recruitment and retention. And the biggest advantage is the ability to help employees improve the quality of their lives.

According to Mary Marie Bittner of Harrah's in Atlantic City, "Nothing is more satisfying than having a employee come up to you after spending five months in a program and say, 'Look, someone gave me this book and I'm reading it.' "

—Jeff Weinstein

Claudia Riedl teaches an ESL class at the Boca Raton (Fla.) Resort and Club.

DO YOU HAVE A REMEDIAL SKILLS PROGRAM?



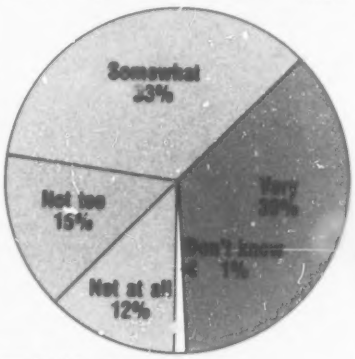
LITERACY STRATEGY FOR THE '90s

A summer survey of the membership of the Council of Hotel & Restaurant Trainers (CHART) reveals that 34% have instituted a remedial skills training program. Another 6% are beginning to realize that the multicultural makeup of the work force requires that steps be taken improve communication skills in order to enhance guests services —a strategy of numerous hospitality companies for the 1990s.

MARKET TRENDS

continued from page 28

FREQUENT-DINER PLANS A HIT
More than two-thirds of those answering a Gallup survey say they would join a frequent-diner program. Singles, females and 18-34 year-olds are most interested.



Source: The Gallup Organization

making it possible to ship fresh-looking cut fruit across the country.

And at ASR's Veterinary Toxicology Research lab in College Station, Texas, researchers have completed experiments that show milk sugar can reduce the incidence of salmonella in chickens. Research leader John De Loach added 2.5% lactose to the drinking water of just-hatched chicks for 10 days. He then gave an oral dose of salmonella bacteria to that group and to a control group. After 10 days, only 53% of the chicks given lactose were still infected, and those had 99.9% fewer of the bacteria in their bodies than the chicks in the control group that had not received lactose. All of the control group were still infected. The experiment now must be repeated at commercial poultry farms.

Frequent-Diner Plans Could Take Off

Restaurants might want to take a tip from the airlines, which have built extremely loyal clienteles through their frequent-flier programs. Nearly three in four adults say they would be interested in going to a restaurant that offers discounts or incentives to regular customers, similar to the airline programs, according to a survey by The Gallup Organization.

The program appeals more to women (42%) than to men (36%), and younger diners, ages 18 to 34, are more likely to participate (52%) than all other age groups.

The incentive that intrigued the most diners was a free dinner—57% say they would be very interested in such a bonus. Other highly rated incentives include a restaurant gift certificate (45%), a free lunch (39%), free beverage with a meal (33%) and tickets to a movie (32%).

Nearly half of all restaurateurs polled in a similar survey, however, say they have no intentions of implementing a frequent-diner program within the next 12 months. Eleven percent already offer a customer incentive program.

'Couch Potatoes' Still Prefer to Dine Out

Dire reports that Americans are turning into "couch potatoes," preferring to plop down in front of the TV instead of going out for some entertainment, might not be such a threat to the food-service industry, after all. A recent survey by The Roper Organization shows that dining out is the one major exception to the trend toward at-home leisure.

When considering full-service restaurants, an overwhelming 80% of the survey respondents say they want to dine out; only 10% say they would take out the same food to eat at home. For fast-food restaurants, however, the margin is narrower: 44% say they prefer to eat fast food in the restaurant, compared to 36% who say they want to eat it at home.

Managers: Reviews Stressful but Helpful

More than 98% of the small-business managers who responded to an *Inc.* magazine survey say they find the employee performance review process beneficial, but nearly half also say they find the process stressful. In addition to giving managers and employees a chance to talk about performance, reviews also provide an opportunity for managers to hear what is wrong (or right) about a business.

The survey results show that smaller companies tend to use reviews to deal with broader issues than just an employee's strengths and weaknesses. Businesses with sales of less than $5 million also like to discuss company goals and problems. The survey also shows that the smaller the company, the more often a company is likely to hold reviews; 25% of those with sales less than $1 million say they review employees four times a year. Also more common in smaller companies is the CEO's involvement in reviews. CEOs participate in more than 60% of the reviews for companies with sales of less than $1 million.

—Maureen Pratscher

Dining out, particularly in full-service restaurants, is the one activity that defies a national trend toward at-home leisure.

R&I EXCLUSIVE

GIANTS

By Beth Gotschall

The line between commercial and institutional foodservice has almost disappeared. "We're all on a constant mission to find new and interesting ways to make dining a pleasure," says Ted Smith, foodservice coordinator at Michigan State University in East Lansing. "In a way, we have even more of a challenge than our commercial counterparts when it comes to customer satisfaction because we have the same clients day after day."

The entrepreneurial spirit is alive and well in the institutional foodservice segment. The days of not-for-profit operations are gone, buried by the pressures incurred by budget cuts, dwindling subsidies and increased competition. Institutional foodservices are setting a standard for risk taking and creativity in their effort not only to break even, but also to make a profit. For example, Leprechaun Pizza, Notre Dame University's (South Bend, Ind.) homemade pizza concept, delivers 400 to 500 pizzas a day. Texas A&M University in College Station does $4 million a year in catering for the campus, stadium and student center.

New York City School District is serving dinner, in addition to lunch and breakfast, and prepares meals for the homeless and senior citizens. National Medical Enterprises (Santa Monica, Calif.) specialty hospital group offers candlelight dinners, VIP service, guest-room service for overnight visitors and take-home foods for employees. Dobbs International, the Memphis, Tenn.-based airline caterer, invites chefs from top area restaurants to consult at hub facilities.

Marriott Food and Services Management will provide services from day care to lab-equipment cleaning for its health-care accounts. More institutions own and operate their own vending services. The list of services goes on.

Across the board, institutional foodservices are upgrading facilities as well. Stainless steel on the serving line is becoming a rare sight, and single-line service is making way for station setups with eye-catching signage.

The emphasis is on service as well, with extensive employee training topping priority lists in an effort to make the best use of the labor available. Marketing, especially to establish the institution's identity, has resulted in the development of in-house concepts and tie-ins with well-known consumer foodservice operations.

Today, of course, growth does not come easily. Foodservice contract com-

CONTRACTORS

HEALTH CARE

SCHOOLS

STEP FORWARD

Institutions serve gourmet foods, hire professional chefs, tie into brand names, package convenience foods, cater and do anything else it takes to keep customers happy.

panies, more often than not, are being asked to provide foodservice with minimum subsidy from business and industry accounts. The health-care and school segments are subject to strict government regulation; complying can be costly and difficult, yet necessary for reimbursement. And more regulation is coming: Health care facilities might be required, among other things, to provide more training for nurses' aides and to have a registered nurse on duty 24 hours a day in all skilled facilities—both costly propositions. Schools must account for free and reduced-price meals with utmost accuracy or will be made to return reimbursement under the new Federal Review System's Accuclaim program.

In the military segment, 86 military bases are to be closed and 54 others consolidated. Domestic military club operations will receive no government subsidies in 1990.

In the pages ahead, *R&I* lists the top 10 purchasers in each of the institutional segments. In many cases, they are a gauge of the trends to come: by virtue of their size, the major players often have more opportunities to try new concepts and more resources to implement new programs. Based on the plans these professionals have shared with us, the future of institutional foodservice looks bright, indeed.

Note: Data used to compile the listings has been gleaned from *R&I*'s '89 "400" files and surveys conducted by *Report on Institutional Foodservice*, a monthly newsletter written by Julie Woodman (Information Central Inc., Prescott, Ariz. For subscription information, circle 600 on the Reader Service Card).

COLLEGES & UNIVERSITIES

MILITARY

INSTITUTIONAL GIANTS

CONTRACTORS

Major players say there is room to grow; retail concepts, convenience foods are hot.

1 MARRIOTT FOOD SERVICES MGMT.
Washington, D.C.
F&B purchases: $1,197.6MM
No. of accounts: 2,300
No. of employees: 210,000
News: Health care is major growth area. Expanding services to include building maintenance, laundry, child care, lab equipment cleaning.

2 ARA SERVICES INC.
Philadelphia
F&B purchases: $839.3MM
No. of accounts: 2,500
No. of employees: 132,000
News: Adding to retail foodservice program with pasta and chicken concepts. Refining and standardizing Classic Fare catering program.

3 CANTEEN CO.
Chicago
F&B purchases: $460.3MM
No. of accounts: 1,883
No. of employees: 31,000 (full time); 8,000 (part time)
News: Purchased by Coniston Partners. Sees schools and colleges, correctional facilities and health-care segment as growth areas.

4 SERVICE AMERICA
Stamford, Conn.
F&B purchases: $356MM
No. of accounts: 2,000 (excludes vending)
No. of employees: 20,000
News: Implementing new Directions in Dining signage program. Integrating marketing efforts with national purchasing decisions.

5 MORRISON CUSTOM MGMT.
Mobile, Ala.
F&B purchases: $247MM
No. of accounts: 880
No. of employees: 11,400
News: Launching Fast Takes takeout program this month. Stepping up recruitment policies to attract quality employees.

"The future looks great, the market is alive," says Dave Hatch, vice president of marketing at Philadelphia-based ARA. Indeed, with the largest contractors representing only 4% to 5% of the business (according to Canteen president and CEO Robert Kozlowski), there is plenty of room to grow, especially in the health-care, college and university, and correctional markets. Primary and secondary schools also were mentioned as potential growth areas. Several of the large contractors are expanding services to bring multidepartment tasks, such as building maintenance, laundry and child care, under one management roof.

Contract giants continue to expand on retail concepts, and the branding of company programs is more sophisticated than ever. "The concept is only as good as the account manager running it," says Hatch at ARA. For that reason, packaging, facility and equipment design, training programs, newsletters, promotional materials and a plethora of other support services for retail-oriented concepts are presented in the clearest, most easy to implement formats to help managers take advantage of programs and trends quickly and successfully.

And new programs abound at a majority of the top 10 contract companies. Seiler Corp., Waltham, Mass., has a five-part program that is offered to accounts in all markets. Slices Plus, the pizza-delivery concept, is going strong on college campuses. Cuisine To Go, including a successful thermal mug coffee-club program, enhances takeout service in B&I, health-care and college accounts. Combo Platters, combination lunches for a special price (such as those seen in the fast-food arena) offer everything from hamburger, fries, soft drink to soup and half a sandwich to keep clients in at lunch.

At ARA, the Classic Fare catering program is undergoing an extensive standardization, down to suggesting which flatware to use, to ensure consistency of quality and to take advantage of price breaks for quantity buying. "By standardizing, we'll also be able to get away from renting supplies, which is a big expense," says Hatch. "If two accounts are near to one another, they can borrow if the need arises."

ARA also is continuing to expand its in-house, retail-style food concepts; a pasta and a chicken line are being offered to accounts in many institutional segments. Morrison Custom Management is launching its extensive takeout program, called Fast Takes, this month. The grab-and-go concept, which took well over a year to develop,

will offer sandwiches, hot and cold entrees, muffins, salads, breakfast biscuit sandwiches and other easily transported products to customers in several segments. One interesting twist is that in B&I accounts, the products will be especially marketed for customers to take back to desks, not off premises. Packaging, signage, display units and promotional materials will accompany the program.

The retail mentality has hit in-flight foodservices as well. Dobbs International in Memphis, Tenn., is switching from national menus to regional menus to take advantage of area foods and tastes. "We're putting more emphasis on freshly prepared over frozen foods, as well," says George Alvord, vice president of sales and marketing. "I would happily challenge any four-star restaurant to compare their food with the selections we offer first-class passengers," he adds. In some instances, the in-flight feeder is arranging for chefs from the nation's finest restaurants to consult at hub operations.

Alliances with commercially known brands are bringing the commercial foodservice world in-house: ARA and Dunkin' Donuts have teamed up, Marriott and Pizza Hut are working together, and Morrison Custom Management has an agreement with McDonald's wherein the two will approach acute-care hospital accounts together to propose a full-foodservice package.

Marriott is improving vending services, as well, in an effort to answer the needs of the smaller, suburban office complex. The Washington, D.C.-based contractor also is expanding services, especially in health-care accounts, to include building maintenance, child care, laundry and lab equipment cleaning. "I think the hospital administrators want to be able to call one contact for these services," says Kathy Boyle, manager for public relations in the Food and Services Management division.

Most of the large contractors agree that the health care market is the major growth area. But health-care foodservice is a unique proposition, according to Don Storer, president of the health-care division for Seiler/FDI. "Brand names, retail concepts, all the 'hot' new programs are not going to answer the needs of the health-care segment," he says. "With all the state, federal and local regulations involved in health-care feeding, they need cost-effective quality, not glitz."

While the major contractors have the advantage of vast resources to increase foodservice revenues, criticisms arise, contending that quality and service can suffer with a large company. "You need to stay on your toes when you're talking about competing with the blood and sweat equity of a small, regional company owner," adds Canteen's Kozlowski. Because of concern over service, a majority of the large contractors have programs to enhance employee training in place. Canteen's Saturn Series II works to develop personnel into more productive, more confident employees by teaching the specialized tricks of the trade, from decision making to garnishing.

continued on page 54

6 **OGDEN ALLIED**
New York
F&B purchases: $152MM
No. of accounts: 1,725
No. of employees: N/A
News: Co. is the leader in bringing foodservice into unusual locations, including offshore oil rigs. Foodservice is separated by division, not centralized.

7 **DOBBS INTERNATIONAL**
Memphis, Tenn.
F&B purchases: $124.3MM
No. of accounts: 48
No. of employees: 7,000
News: Major upgrading is in effect with more regional menus; more fresh prepared foods over frozen.

8 **GREYHOUND FOOD MGMT.**
Phoenix, Ariz.
F&B purchases: $103.9MM
No. of accounts: 278
No. of employees: 6,000 (full time); 1,300 (part time)
News: Rolling out new signature pizza concept called Restaura Pizzeria Pizza. Testing fax-machine ordering in one downtown B&I account to bring in incremental sales from surrounding offices.

9 **SKY CHEFS INC.**
Dallas/Fort Worth Airport, Texas
F&B purchases: $103.7MM
No. of accounts: 40
No. of employees: 8,000
News: New kitchens in Fort Lauderdale and Phoenix. Several facilities feature overhead conveyor systems and computerized work flow.

10 **THE SEILER CORP.**
Waltham, Mass.
F&B purchases: $73.1MM
No. of accounts: 400
No. of employees: 8,000
News: Continuing to improve retail programs, including Slices Plus pizza, Cuisine To Go.

INSTITUTIONAL GIANTS

HEALTH CARE

Cost containment, quality improvement are goals of the top 10 health-care chains.

1 BEVERLY ENTERPRISES
Atlanta
F&B purchases: $96MM
Units: 1,045
Beds/capacity: 111,727
No. of employees: 16,000
News: Implementing flexible, new software system that allows pricing out on screen, forecasting, recipe editing, nutritional breakout.

2 HOSPITAL CORP. OF AMERICA
Nashville, Tenn.
F&B purchases: $81MM
Units: 326
Beds/capacity: 48,856
News: Western region is going to standard menu to increase group buying power. HCA sold HCA Management subsidiary, of which foodservice is a part, but continues as HCA Mgmt.'s No. 1 client.

3 NATIONAL MEDICAL ENTERPRISES
Santa Monica, Calif.
F&B purchases: $80.7MM
Units: 505
Beds/capacity: 62,595
News: Hiring more chefs in hospitals, trimming menus for fewer but better selections. Psychiatric facilities are major growth area.

4 HUMANA INC.
Louisville, Ky.
F&B purchases: $31.7MM
Units: 80
Beds/capacity: 16,840
News: Cook-chill is a possibility for urban facilities where size and patient counts warrant the investment.

5 ADVENTIST HEALTH SYSTEM
Arlington, Texas
F&B purchases: $27.1MM
Units: 143
Beds/capacity: 19,053
News: Porter Hospital in Denver opened new doctors private dining facility. Cook-chill is up and running at Florida Hospital in Orlando.

The trend toward downsizing over the past several years has foodservice directors at the nation's largest health-care chains searching hard for ways to contain costs and generate profits. Simple overexpansion has created more bed space than is needed in some cases. Also, many chains lose money due to dependence on government funding that does not always adequately cover the cost of doing business.

"People in the industry are forecasting more consolidation, in terms of services and hospital ownership," says Paul Powell, vice president of purchasing at Louisville, Ky.-based Humana. Hospital Corp. of America in Nashville, Tenn., recently sold off the HCA Management subsidiary to HCA executives and Welsh Carson, a New York investment group. But HCA will continue to be HCA Management's No. 1 client. The Support Services division of Nashville-based Health Trust was eliminated in a restructuring action in May. Previous foodservice contracts are intact, but all consulting services were dissolved. A new contract negotiator came on board in September, but future plans for foodservices are unknown.

The need for support services to operate on a self-supporting basis is stronger than ever. Health-care chains are not embracing retail-oriented services with the fervor shown by many other institutional segments, with the exception of some hospitals where such amenities attract private-pay patients.

"You have to understand the cost parameters of long-term care," says Don Tapper, director of food and nutrition for Atlanta-based Beverly Enterprises. "We don't have a lot of money to spend."

Also, for long-term care facilities, the retail approach is not always necessary or desired. "A lot of our clients are very old and very sick," says one director, "We're more concerned with

continued on page 60

INSTITUTIONAL GIANTS

6 **ARA LIVING CENTERS**
Houston
F&B purchases: $26.9MM
Units: 251
Beds/capacity: 27,578
News: Looking into computer system to track costs accurately and quickly. Trying to establish more national purchasing contracts.

7 **DAUGHTERS OF CHARITY**
St. Louis
F&B purchases: $26.8MM
Units: 57
Beds/capacity: 15,170
News: Continuing to negotiate purchasing contracts. Implementing health/wellness programs. Seeing increase in outpatient services.

8 **NATIONAL HERITAGE**
Dallas
F&B purchases: $26MM
Units: 223
Beds/capacity: 25,000
News: Lack of price stability due to drought is of concern. Purchased 30-facility Retirement Corp.

9 **NEW YORK CITY HEALTH AND HOSPITAL CORP.**
New York
F&B purchases: $23MM
Units: 16
Beds/capacity: 9,996
News: Chain is handling disproportionate number of AIDS cases, 35% of N.Y.C. total. Upgrading foodservice facilities at Hull Medical & Mental Health Center.

10 **HEALTH TRUST**
Nashville, Tenn.
F&B purchases: $22.5MM
Units: 96
Beds/capacity: 13,218
News: May 1989 restructuring eliminated support services division, most notably consulting services. New contract negotiator came on in September and all pre-May foodservice contracts remain intact.

HEALTHCARE

Computerization helps health-care facilities lessen paperwork, track costs.

continued from page 54

feeding them nutritiously, which in itself takes a lot of time and effort to do correctly."

To meet this goal, the large health-care chains are seeking ways to contain costs. In addition to a constant search for better distribution arrangements (to take advantage of the best deals in a given region), manufacturer allowances and rebates, and better use of group buying power to reduce food costs, many of the large chains are trying to improve productivity, and computer systems are garnering increased interest because they enable better tracking of costs.

Jill Haithwaite, dietary systems analyst for ARA Living Centers in Houston, says "We are definitely looking into buying a computer system to help us become proactive rather than reactive to price changes in menus." ARA Living Centers' price-per-patient-day budget is set every six months. However, if the price of an item goes up, the department has difficulty tracking the cost and can only react at the end of the six-month period, too late to keep within the set budget. "That's where you lose money," adds Haithwaite.

While computers can help to step up productivity and accountability, they are not the only answer. In 1988, Hospital Corp. of America developed its NutriCore program, the "Core" of which stands for consultation, operations review and education. The program's focus is to teach managers cost containment and quality enhancement.

"It's really a matter of going back to basics," says Mary Welsh Owen, director of dietary services at HCA. The program teaches managers to make sure they are following proper purchasing procedures, staying within targeted budgets, following recipes, and tracking revenue-generating activities to decide if they are profitable enough to continue.

The NutriCore program also helps to streamline production. For example, if the employee in charge of special functions needs salads, he or she can have the salad preparer make extras, rather than making up the salads themselves. "Streamlining helps prevent double work," says Owen. The program, implemented through seminars, on-site training sessions and written manuals, also produces productivity reports based on geographic regions so that facilities can compare themselves to similar facilities in their area. "That's the networking part of NutriCore," says Owen, "It really helps managers to see if they are keeping up, or if not, what they are doing wrong."

At ARA Living Centers, Haithwaite is considering a plan to have employees work at two facilities in an area where the facilities are within walking distance. "An employee could work the morning preparing lunch at facility A, and then walk over to facility B in the early afternoon to help with dinner preparation," she explains. "We don't know how it will work, but we'll try it out."

Producing profits is the other side of the health-care foodservice equation. In addition to retail-quality foodservice concepts, National Medical Enterprises began charging a flat rate to private-pay patients for modified diet meals to increase revenues. "It's already been done for a few years in some hospitals with great success," says Trudi McComb, director of food and nutrition services at NME.

Several of the large chains are involved in community feeding programs, including Meals on Wheels. HCA is looking into providing foodservice to area pre-schools. Many "hire out" dietitians to physicians, for outpatient and community work. "We'll take any alternative to staff reductions," says Owen of HCA.

INSTITUTIONAL GIANTS

SCHOOLS

Fast-food competition, nutrition concerns and commodity cuts warrant creative approaches.

1 NEW YORK CITY BOARD OF EDUCATION
New York
F&B purchases: $86.3MM
No. of meals a year: 124MM
No. of employees: 9,848
Labor cost: N/A
News: Introduced low-salt, 95% fat-free ham, barbecue glazed chicken nuggets (no breading), oat-bran cinnamon apple doughnuts. Ad campaign continues.

2 LOS ANGELES UNIFIED SCHOOL DISTRICT
Los Angeles
F&B purchases: $64.5MM
No. of meals a year: 110.6MM
No. of employees: 5,000
Labor cost: $65.7MM
News: Implemented dual-entree program. New director, Stephen Garcia, will begin this year.

3 CHICAGO BOARD OF EDUCATION
Chicago
F&B purchases: $45.7MM
No. of meals a year: 51MM
No. of employees: 3,700
Labor cost: $35MM
News: Plans to build a new test kitchen are in the works.

4 PUERTO RICO SCHOOL DISTRICT
Calaf Hato Rey, P.R.
F&B purchases: $39.7MM
No. of meals a year: 97MM
No. of employees: 14,769
Labor cost: $86MM
News: New menu items include fish and chicken nuggets, fresh milk, meatloaf, meatballs, salad bars.

5 DADE COUNTY SCHOOL DISTRICT
Miami
F&B purchases: $20.7MM
No. of meals a year: 37MM
No. of employees: 2,442
Labor cost: $24.5MM
News: New hot dog carts are going up outside on patios; soda will be offered. Now offer more ethnic selections, Chinese, Mexican, Greek.

"I've always been one to question when someone says 'Well, we've always done it this way,'" says Tom McGlinchy, director of foodservice for the Philadelphia Public Schools. "It sets off an alarm in my head."

More than ever, the need for innovation grows in the nation's largest school district foodservices. Cuts in bonus commodities increase the need for increased revenues because more items need to be purchased. Also, the age-old dilemma of serving menus that are nutritious and appealing (to students reared with a fast-food mentality) calls for new recipes, creative presentation, a constant search for new products, and improved communication about nutrition between foodservices and students.

"Increasing participation is the only way we can generate revenues," says McGlinchy, "and I have no problem jumping on the commercial bandwagon if it means products that will sell." Last year, Philadelphia schools served mini-burgers, similar to those of several fast-food chains, with excellent results. Suppliers often can modify products to schools' specifications. "We were at our pizza supplier's plant and noticed large sheet pans of lasagna. We asked if they could package the lasagna and another item, stuffed shells, individually, and they said sure," says McGlinchy. Hence, two new products for the menu.

Borrowing an idea he saw in use in the Pittsburgh school district, McGlinchy is implementing field-trip lunches. "We'll pack up aseptic milk, a sausage on a stick, raisins, an apple, little wrapped cheese-and-cracker combos and a cookie, freeze the lunches in 24-pack boxes and pull them out whenever a school is organizing a field trip," he says. "We use the lunches as emergency meals as well."

Keeping meal counts up is only part of the equation in generating dollars—

INSTITUTIONAL GIANTS

SCHOOLS

Schools challenge their suppliers to capture students' interest with new and exciting products.

6 HOUSTON INDEPENDENT SCHOOL DISTRICT
Houston
F&B purchases: $20.5MM
No. of meals a year: 34MM
No. of employees: 2,000
Labor cost: $17MM
News: Choose Right, Eat Right program developed with the American Heart Association offers a wide array of nutritious menu selections.

7 SCHOOL DISTRICT OF PHILADELPHIA
Philadelphia
F&B purchases: $17.2MM
No. of meals a year: 19.4MM
No. of employees: 2,152
Labor cost: $19.8MM
News: New field-trip packs featuring five-component lunch are premade and frozen, pulled out for trips and emergency needs such as equipment breakdown.

8 HAWAII STATEWIDE SCHOOLS
Honolulu
F&B purchases: $15.2MM
No. of meals a year: 24MM
No. of employees: 800
Labor cost: $12MM
News: Best sellers are pizza, chimichangas and any fast-food items.

9 SCHOOL BOARD OF HILLSBOROUGH COUNTY
Tampa, Fla.
F&B purchases: $14.1MM
No. of meals a year: 20MM
No. of employees: 1,179
Labor cost: $17MM
News: New menu items include unbreaded chicken patties, fish items and low-fat meat products.

10 DALLAS INDEPENDENT SCHOOL DISTRICT
Dallas
F&B purchases: $12.5MM
No. of meals a year: 18.2MM
No. of employees: 1,500
Labor cost: $12MM
News: New menu items include lemon baked chicken, fried zucchini, spicy pinto beans.

counting meals accurately is the other. The Federal Review System's Accuclaim program, demanding return of reimbursement for insufficiently documented free and reduced-price meals, further tightens foodservice purse strings. "We have an influx of refugees and immigrants who are literally living in a stadium right now," says Jack Hastings, director of foodservice in Dade County, Fla. "Not only do they not have Social Security numbers, they don't have addresses, jobs, phone numbers or any kind of information we need to fill out the proper forms. But we are still feeding those kids, and for some, it's the only decent meal they have all day."

While the government does allow school administrators, including principals, to authorize forms in emergency situations like that in Dade County, more and more large systems are finding that investment in more accurate accounting systems are called for as the ability to account for meals dictates reimbursement policy. Chicago, Philadephia, and Hillsborough and Dade Counties in Florida are all investigating or adding new computer systems to keep track of everything from inventory to purchases and to create cashless card systems for accurate free and reduced-price meal reporting.

Many of the large school districts have found that increasing a la carte selections helps keep revenues up; approximately 80% of the school districts across the country have some sort of a la carte.

"We've definitely increased our a la carte program in the secondary schools," says Hastings. "This summer, I'm setting up grill carts on the outside patios, for hot dogs and burgers, and we have decided to sell sodas as well." The decision for the latter came after years of problems with kids leaving the school grounds to buy soft drinks. Like McGlinchy, Hastings feels that even if a concept never has been tried before, the times call for new plans. "Soda was the primary reason these kids left at lunch, but they were getting into trouble on the streets, too. So we decided that if selling soda would help keep them on the grounds, we'd do it. And our nutrition consultants backed us up on it."

While all the large district foodservices agree that selling nutritious items is more difficult in the middle and high schools than at the elementary level, strides are being made. Houston recently developed its Choose Right, Eat Right program in conjunction with the American Heart Association. "We're large enough to specify products, and we have a test kitchen, so we've been able to come up with a wide variety of new items that fit the program," says Fred Higgins, director of food delivery services for Houston Independent. The sugar in desserts and all salt in recipes was cut in half, and a whole-wheat pizza crust was developed, as was a turkey chili and an unbreaded baked cod dish.

"Even the snack items are healthier," says Higgins. "We have granola bars and healthy snack mixes instead of candy bars and chips." Higgins expected an uproar from students in the secondary schools. "The program was a wonderful success in the elementary schools, but we lost some students in the secondary schools when it all began. But they are coming back. As a matter of fact, participation is up over last year." Even though the district knew there would be some initial objection to the new program, Higgins says the Houston district knew it could implement the program with success over time. "We've even designed an after-school snack cookbook in-house," says Higgins. "It's free to kids whose parents sign for it and helps to extend healthy eating habits into the home. It's all part of the plan."

INSTITUTIONAL GIANTS

COLLEGES & UNIVERSITIES

Diversity thrives in university dining; food courts, promotions, ethnic foods keep students satisfied.

1 PENNSYLVANIA STATE UNIVERSITY
University Park, Pa.
F&B purchases: $10.3MM
Enrollment: 32,000
Board contracts: 12,500
Meals served a day: 35,000
News: Underwent major menu revision last year, after writing to 100 schools for their best recipes.

2 BOSTON UNIVERSITY
Boston
F&B purchases: $10MM
Enrollment: 28,000
Board contracts: 7,500
Meals served a day: 26,000
News: Budget Plus system, a flexible combination of declining balance and board plan (letting students tailor dining to personal lifestyle), is gaining more popularity.

3 TEXAS A&M UNIVERSITY
College Station, Texas
F&B purchases: $9MM
Enrollment: 39,000
Board contracts: 12,000
Meals served a day: 65,000
News: First c-store did more than $1MM in sales—more to come. Renovating Commons dining facility to include cook-your-own grill.

4 MICHIGAN STATE UNIVERSITY
East Lansing, Mich.
F&B purchases: $9MM
Enrollment: 42,000
Board contracts: 17,000
Meals served a day: 65,000
News: This fall, students can take additional portions or samples of two entrees first time through line.

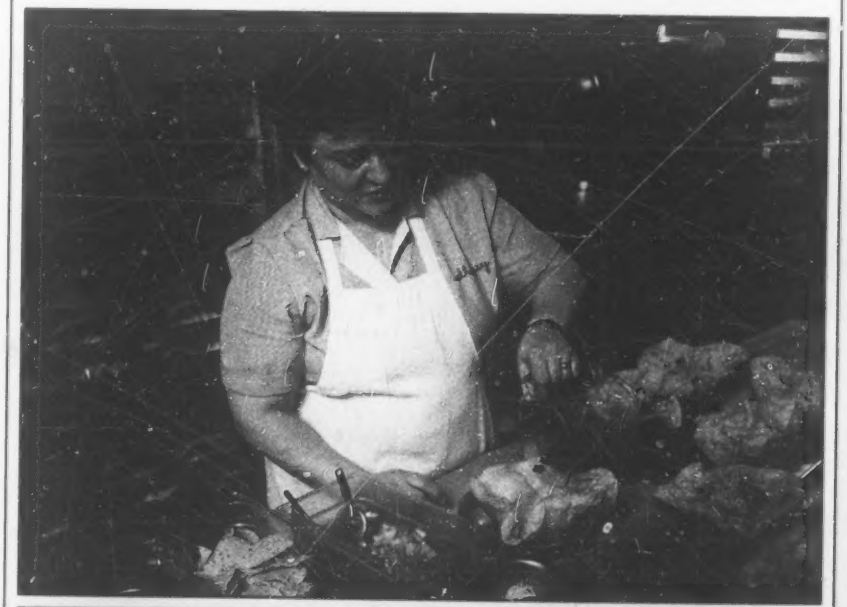
5 UNIVERSITY OF ILLINOIS
Urbana, Ill.
F&B purchases: $8.3MM
Enrollment: 33,800
Board contracts: 10,000
Meals served a day: 50,000
News: Cake and Cookie gift-package program, marketed to parents, is success.

"We used to compete with Mom," says Tom Gibson, foodservice director at Pennsylvania State University in University Park, Pa. "Now we're competing with every kind of retail foodservice operation out there." College foodservices have come a long way from three squares a day. Today's student is more sophisticated, more nutritionally aware and more affected by the media and marketing of retail operations than ever before.

Students have a much better sense of value, adds Gibson. "In the past, if a student said, 'Your food is terrible,' the foodservice director would scratch his head saying, 'How can that be? I serve the best cuts of meat, the best vegetables . . . ' He was only looking at the food." But the value perception comes from other things besides food, he adds. Lighting, service, decor, presentation, all add up to a perceived value. "You don't serve 70 pork chops out of a huge broiler pan and wait until the last one is gone before replacing it anymore," says Gibson.

By the same token, students are extremely receptive to promotions and marketing efforts, from school-logo coffee mugs to theme dinners, and new food concepts such as c-stores and specialty shops.

Foodservices on campuses are moving ahead to introduce new products, and new ways to present old favorites. At Rutgers University, New Brunswick, N.J., theme bars enable foodservices at each of the five dining halls to present a different special every day of the week. The self-service aspect of the bars allows students to make their own dish to their own taste. Bars feature Mexican, Chinese, hoagies, import cheeses, chili—with and without meat, surrounded by pots of onions, peppers, rice, chicken and other additions—sundae fixings, Swiss waffle setups with assorted toppings, pie and cake bars and ice-cream soda makings. "It gives



INSTITUTIONAL GIANTS

COLLEGES & UNIVERSITIES

Nutrition, community programs, food safety, facility upgrades concern university foodservices.

6 RUTGERS UNIVERSITY
New Brunswick, N.J.
F&B purchases: $8MM
Enrollment: 33,500
Board contracts: 14,000
Meals served a day: 25,000
News: Sees increased demand for vegetarian selections. Reduced sodium by 50% in 75% of recipes.

7 UNIVERSITY OF MINNESOTA
Minneapolis
F&B purchases: $8MM
Enrollment: 65,000
Board contracts: 4,100
Meals served a day: 6,800
News: Successfully attracting student labor by offering good wages. Nutrition awareness programs in the works.

8 CORNELL UNIVERSITY
Ithaca, N.Y.
F&B purchases: $7.4MM
Enrollment: 17,500
Board contracts: 8,100
Meals served a day: 26,000
News: New 400-seat facility is designed to include food-court setup with grill, bakery, international sections, salad station.

9 UNIVERSITY OF NOTRE DAME
South Bend, Ind.
F&B purchases: $7.3MM
Enrollment: 9,400
Board contracts: 7,000
Meals served a day: 25,000
News: Student Center foodservices, renovated 2 years ago, did $1.9MM in sales last year. Catering did $2.5MM. Food courts strong.

10 UNITED STATES AIR FORCE ACADEMY
Colorado Springs, Colo.
F&B purchases: $7.2MM
Enrollment: 4,500
Board contracts: 4,500
Meals served a day: 12,500
News: Starting Eat Right to Excel program. Switched to canola oil.

us a chance to expose students to more unusual foods, as well," says Al Strauss, Rutgers foodservice director.

Food courts are gaining in popularity and provide opportunities for marketing. "When we renovated our Student Center two years ago, we enclosed the grill and the wok area in glass so the kids could watch their food being made," says Bill Hickey, director of foodservice at Notre Dame in South Bend, Ind. The food court opened last January at Texas A&M, College Station, Texas, includes a bakery, ice cream parlor, Mexican operation, deli and Chinese concept, along with a grill and soup station. The grill at another newly renovated facility on campus, Commons, will allow students to grill their own meals. "We'll put out eggs, pancake batter, and other items for breakfast, then switch to hot dogs, hamburgers, grilled-cheese makings and the like at lunch," says Lloyd Smith, foodservice director at A&M.

At Michigan State University, East Lansing, director Ted Smith is implementing Chef Showcase nights. Chefs and cooks will come out of the kitchen and into the dining room to give cooking demonstrations, and the recipe demonstrated will be served. "Our chefs will mingle with the students," says Smith. "And it will give students a chance to meet the person behind the scenes."

Most of the top 10 college and university foodservices are more concerned about nutrition as well. "Hamburgers, pizza and fried chicken will always be served," says one director, "but where we can, we'll improve the nutritional makeup of our selections." Salt has been reduced by 50% in almost 75% of the recipes at Rutgers. Reductions in fat and cholesterol are common. While fried foods still are popular, more broiled foods are making their way onto menus. Salad bars offer unusual varieties of vegetables and fruits to step up interest.

The universities are doing everything from newsletters to theme nights to educate students about nutrition. At Texas A&M, computers in the dining halls let students punch in the items in their meal for an instant calorie count. Penn State posts nutritional-content boards at the head of serving lines, and students on diets to gain or lose weight, in training for athletics or with special diet needs can consult the university's nutrition department for personalized counseling. "The nutrition department has a copy of our menu cycles, so they can tell students what to have on a day-to-day basis," says Gibson.

Concerns over food safety figure predominantly in university foodservice as well. "We're very aware of the way we store foods, the temperatures at which they're held and served, and the sanitation practices of our employees," says Gibson. "A clean floor is certainly mandatory, but that's only the tip of the iceberg," he adds. "You have to have a knowledge of the properties of food, time and temperature." At Rutgers, foodservices work closely with the department of food sciences to check the microbiological aspects of foods in random samplings. "Our food-safety analysis program costs $75,000 a year," says Strauss. "But it's well worth the investment. We haven't had a problem in the 25 years I've been here."

Universities always have been the environments for advanced thinking and community concern. When students at Notre Dame approached Hickey about the waste of excess or once-cooked food thrown out each day, he agreed to let them implement a program to donate the food to the homeless if they could prove the school would not be liable. The students did, based on a similar action taken at Harvard, and the program was initiated.

INSTITUTIONAL GIANTS

MILITARY

Budget cuts force military foodservices to do more with less; retail mentality flourishes.

1 U.S. ARMY TROOP SUPPORT AGENCY
Fort Lee, Va.
F&B purchases: $476MM
Units: 995
No. of employees: 13,432 (excludes contract employees)
News: Revised U.S. Army Reserve Component and Field Training Menu has more low-fat, low-sodium items. New additions include Cobb salad, herbed baked fish, stir-fried entrees, more whole-grain products.

2 U.S. NAVY FOOD SERVICE SYSTEMS OFFICE
Washington, D.C.
F&B purchases: $320MM
Units: 691
Meals served a day: 573,000
News: Offering seminars and newsletters on nutrition to foodservice managers. Increasing use of automated financial reporting systems.

3 U.S. ARMY COMMUNITY AND FAMILY SUPPORT CENTERS
Alexandria, Va.
F&B purchases: $275.7MM
Units: 624
No. of employees: N/A
News: Department is in process of assessing club system and developing a new, five-year plan.

4 ARMY AND AIR FORCE EXCHANGE SERVICE
Dallas
F&B purchases: $476MM
Units: 2,102
No. of employees: 4,225 (full time); 12,275 (part time)
News: Developing own theme restaurant brands. Carrying through concept in decor, menus, packaging.

5 U.S. AIR FORCE OPEN MESS SYSTEM
Randolph Air Force Base, Texas
F&B purchases: $118.9MM
Units: 270
No. of employees: 4,500 (full time); 13,000 (part time)
News: Continuing to expand Armed Forces Culinary Upgrade Program.

The congressional budget cuts, scheduled to take effect Oct. 1, 1990, will have a major effect on many military foodservice operations, especially the club and retail branches. As those departments face the reality of having to do more with less, most are looking to the private sector for ideas on how to generate enough revenues to not only create self-supporting operations but profits, as well. The lure of off-base entertainment and foodservice is no longer just a problem, but a direct competitive threat.

Several branches are fighting fire with fire. The U.S. Navy Officers and Enlisted Clubs System, based in Washington, D.C., is breaking with tradition by offering a new program of commercial-style foodservice concepts on base. As a result of the congressional budget cuts, the department's domestic activities no longer will receive government subsidies, which accounted for approximately $30 million of the total $200 million Navy Clubs budget last year. "We'll still receive part of that $30 million for remote locations, mostly overseas," says Larry Kelly, head of the Navy Club Branch of the Naval Military Personnel Command. "But domestic operations won't receive any subsidy."

As a result, the club system is developing a whole new approach to club activities, an approach with a decidedly commercial angle. "We've hired a staff of five civilian foodservice professionals to head the new concept development program," says Kelly.

Traditionally, most naval bases offer an officers club, a chief petty officers club and an enlisted club. "Each club would try to be everything to its given members," says Kelly. "It would set up for lunch, break down and reset for a banquet, break down and reset for a nightclub setting."

The new plan calls for conversion of the existing chief petty officers and

INSTITUTIONAL GIANTS

MILITARY

Upgrades at military clubs incorporate popular concepts, such as nightclubs and family restaurants.

6 **U.S. AIR FORCE ENGINEERING AND SERVICES CENTER**
Tyndall Air Force Base, Fla.
F&B purchases: $103.5MM
Units: 597
No. of employees: 6,512
News: Nutritional items are emphasized on menus, indicated by a Healthy Heart seal. Currently testing new soups, cereals, pasta entrees and sandwiches.

7 **VETERANS ADMINISTRATION**
Washington, D.C.
F&B purchases: $92.2MM
Units: 172
No. of employees: 9,842 (full time); 4,327 (part time); 57 (intermittent)
News: Implementing more automation to reduce workload.

8 **U.S. MARINE CORPS**
Washington, D.C.
F&B purchases: $85.7MM
Units: 107
No. of employees: N/A
News: New menu items include low-fat yogurt, kiwi, mangoes, snow pea pods; testing dehydrated egg mix, canned white bread for field use.

9 **U.S. NAVY OFFICERS AND ENLISTED CLUB SYSTEM**
Washington, D.C.
F&B purchases: $58.6MM
Units: 276
No. of employees: 10,000
News: New staff for concept development will create club alternatives such as family restaurants, conference/banquet centers, fast-food packages, sports bars to generate revenues.

10 **NAVY RESALE AND SERVICES SUPPORT OFFICE**
Staten Island, N.Y.
F&B purchases: $42MM
Units: 581
No. of employees: 26,000 (includes total retail and F&B)
News: Continuing to expand both in-house food-court concepts and contracts with name-brand fast-food chains on base.

enlisted clubs (no officers clubs are slated for conversion at this time) into any of five new concepts: a fast-food operation, a midscale family-dining restaurant, a banquet/conference center, a nightclub and a sports bar based on a commercial concept called the Baltimore Original Sports Bar. All of the concepts will be open to all military personnel, breaking the tradition of rank-designated admittance.

"We here in Washington are acting as a resource," says Kelly, adding that it is up to each local command to decide which of the concepts fit the needs of its base personnel. "If they decide they want a fast-food place, a nightclub and a banquet center only, we'll tell them how to do it, and keep an eye on quality control," he says. "It's a lot like how a franchise agreement would operate."

The Navy Club's system has high hopes for the new program. "We survey about a third of the Navy every year and get an idea of what they like. We're finally listening to their comments about why they go off base for entertainment," says Kelly. "Their tastes are no different from the civilian side, so we're going to bring the commercial world on base. The extent to which we're doing it is a first in military foodservice."

At this time, several sports bars are already open, having been developed independently before the new program was set. Locations include Brunswick, Maine; Concord, Calif.; and New Orleans. The sports bars on two bases, in Norfolk, Va., and San Diego, Calif., are contracted out with a profit-sharing agreement to Harborage Inc., a Dallas-based hospitality management company that manages the Baltimore Original Sports Bar. The design includes 40 television monitors, 10-foot high television screens, a boxing-ring dance floor, free-throw court, and bar games such as darts and pool—guaranteed to keep customers occupied.

"We've had a lot of inquiry about the program from the other branches," says Kelly. "If they can get approval through the chain of command, we believe it can work well for anyone."

While the budget cuts will affect club and retail branches the most, the subsistence departments also are looking for ways to keep foodservices appealing. "Our marines are a captive audience in the sense that they have cards to use toward meals," says Major Gary Fuhrman, head of U.S. Marine Corp. Foodservice and Subsistence Program. "But I say that with a caveat because a marine or his buddy has a vehicle and they can head off base for any number of alternatives to our foodservices."

At the same time, nutrition concerns are calling for introduction of more items that are lower in fat, sodium and cholesterol, especially to those departments responsible for subsistence feeding. Despite the popularity of fast-food items (burgers and fried chicken still sell well), most departments feel it should not be too difficult to move more healthy menu selections: A directive handed down from the Surgeon General's office on the need for improved diets has gone out.

"There are plenty of good-tasting, nutritionally sound products out there," says one foodservice director. "It's a matter of working up new recipes and marketing the products well." Food bars, for potatoes, desserts, salads and pasta, offer foods in a format enlisted are used to seeing off-base. More a la carte selections reinforce the value aspect—personnel pay only for what they choose. "That's an important edge for us in subsistence feeding," says Captain J.F. Anderson, U.S. Navy Foodservice Systems Office, Washington, D.C. And having the edge will be important in the coming year. RGT

■ EXPANSION STRATEGIES

Dining à la Cart

In search of higher margins, supermarkets are contending for a greater share of America's food dollar. Their strategy: catering, quick service, delivery, drive-thrus and commissaries, plus an ever-increasing line of signature prepared foods.

The new competitors showcase their products to thousands of customers daily. They are experts in customer relations and mass media marketing. They command a vast network of suppliers for every kind of ingredient. And there are 16,000 of them.

Restaurateurs, take warning. Supermarkets are serious about foodservice. In-store bakeries, salad bars, barbecued chicken and ribs displays, and pizza "stands" abound. Supermarkets are remodeling delis, adding central kitchens, hiring consultants, bringing professional chefs on staff, designing in-store restaurants and building drive-thru windows. Other signs that supermarkets are in the business to stay: Advertising is up, counter size is increasing, precious floor space is being sacrificed to expand prepared-food sections. The increasing variety of food choices also signals growth.

The boom in fresh prepared foods is less than a decade old, and annual industry sales now conservatively estimated at $2 billion show no signs of slowing. A CREST study found that traffic counts for foodservice purchases at grocery stores zoomed upward by 95% in just one year, from 1986 to 1987. According to Hal Linstrom, an agricultural economist at the U.S. Department of Agriculture, restaurant growth slowed from 3.9% in 1986 to 1.6% in 1987; Linstrom told *Newsweek* that the boom in supermarket prepared foods might account for some of that shift.

Of course, supermarket executives face the same difficulties as restaurateurs. In addition to vying with restaurants for customers, they must compete for scarce labor and develop new approaches to maintaining food and kitchen sanitation, handling food and minimizing waste. So far, they are tackling these challenges with zeal.

BIG PROFITS ARE INCENTIVE

As used in this article, the term *prepared foods* refers to fresh foods prepared on the supermarket premises from scratch (or a mix of scratch and convenience products) or off premises at a company-owned facility. Sales of traditional deli items, such as sliced meats and cheeses, are not included in the industry estimates.

About 85% of stores with delis sell prepared foods that meet this description. Howard Solganik, president of a food consulting firm in Dayton, Ohio, notes that supermarkets compete most directly with fast-food chains, whose customers also prize convenience.

Even with limited patronage—only one in every five shoppers buys prepared foods—supermarkets still make huge profits. According to David Litwak, director of research for the magazine *Supermarket Business*, "Prepared foods sales average $2,651 per

Attractive display cases in the Chef's Express section of Schnuck's Supermarkets tempt customers to take out a gourmet meal (l.) prepared by a bona fide chef (below).

week, per store, which is just 1.7% of total store sales. Yet with margins averaging 53%, prepared foods contribute about 4% to the store's overall profits."

According to a study by Lieberman Research for the Food Marketing Institute and Campbell's Foods, entitled "Shopping à la Cart," people spend $62.4 billion per year on takeout food. Thirty percent of takeout-food customers report purchasing takeout from supermarkets, far below the 76% who buy takeout food from fast-food chains, or the 90% who buy takeout from restaurants in general. Yet the average tab for supermarket prepared foods can be high. "Our customer will spend $6 to $8 per ticket," says Russ Vernon, president of The West Point Market, Akron, Ohio.

Supermarket buyers of prepared foods are not necessarily identical to fast-food patrons, however. Dual-income family members, single heads of households (especially men), and older people are heavy buyers of prepared foods.

The FMI study shows that supermarket takeout food is perceived as "fresh, of high quality, healthful and nutritious." On the other hand, customers are more likely to turn to restaurants for fun, enjoyable food; the attributes "tasty, children like it, and special treat" applied more to restaurant takeout food.

"Our customers look to us as another source for home-style food," says Corrol Brown, vice president of food-service operations for Cullum Companies, a 79-unit chain based in Dallas, and owner of the upscale Simon David Stores.

Health concerns also fuel sales of supermarket takeout. "Our customer is an affluent, well-educated customer who can afford to visit his doctor and listens to his advice to steer clear of high-fat, breaded and fried foods," says Vernon.

TAILORING CHOICES TO CUSTOMERS

Supermarkets strive to compete with full-service restaurants by providing their customers with a variety of foods, as many as 50 to 150 items in a single case. James Duchek, vice president of specialty foods for the St. Louis-based Schnuck's Supermarkets, developed the Chef's Express concept for fresh prepared foods. As a former architecture teacher, Duchek's design sense is apparent in the well-planned display cases. "Our commissary produces about 90 to 100 items, and stores will display about 60 to 90, depending on space and customer mix," Duchek says.

The demographic makeup of a company's or individual store's customers often determines which items are most popular. For example, a 60-unit supermarket chain in New England finds its

SUPERMARKETS

To an industry used to miniscule margins, prepared foods' big profits look terrific.

customers prefer basic entrees, which yield strong weekly sales of $3,000 per store. The manager of prepared foods says, "We sell the kinds of dishes a family would want to eat for a nice dinner at home—nothing fancy, but still appealing." Stuffed chicken breasts, baked ziti with three cheeses, sautéed vegetables, and potatoes au gratin are bestsellers in the low- to middle-class neighborhoods these stores serve.

An independently owned, five-store operation in the Pacific Northwest serves a wealthier, more sophisticated clientele. Average weekly sales of $30,000 to $50,000 per store constitute 15% of store sales. "One of our store's foodservice areas does as much business as a local seafood restaurant," says the store's vice president of prepared foods. Luxury items top the list of fast-moving prepared foods: Fresh sushi, Chinese roast duck, chicken with Dijon mustard and tarragon sauce, seafood salad with scallops, poached salmon and fresh pasta (made in the store daily) crowd Eurostyle cases in a large, 5,000-square-foot deli.

Ethnic foods sell well in supermarkets catering to urbanites with diverse backgrounds. Safeway Stores Inc., a 1,782-unit chain based in Oakland, Calif., has 900 operations with deli facilities. The company recently installed Chinese kitchens for hot, fresh stir-fry in several stores serving the Asian areas of San Francisco. These kitchens have been highly successful in drawing customer attention to the supermarket's prepared-foods operations.

Some chains sell both upscale and midscale foods. Corrol Brown says, "At our stores, we sell potato salad for $1.25 a pound, while down the aisle we sell salade niçoise for $3 a pound. The two salads appeal to entirely different kinds of customer. We don't want to miss either one."

PUMPING UP THE IMAGE

Supermarkets are concerned about limited public awareness of their prepared foods. The FMI study found that only 18%, about two out of 10 people, mention supermarkets as a source for takeout food. That is far behind the 99% who identify restaurants as a primary source for takeout food.

Ads are an obvious way to tell consumers what supermarkets can offer. "Every week, our television and newspaper ads give equal time to our prepared foods," says Bill Schroeder, director of public affairs for Publix Inc., Lakeland, Fla. "We feel that what we have to offer competes with many restaurants in our area."

But a study by Willard Bishop Consulting indicates that only 5% of shoppers find out about prepared foods through display or print ads. Other merchandising methods are more effective; the samples, demonstrations and displays that are standard practice in supermarkets work equally well for takeout foods.

In fact, 49% of the FMI study respondents indicated they would increase purchase of takeout foods at supermarkets if they could sample dishes before buying them. And for their part, suppliers say they like working with supermarkets because their delis offer more opportunities for branded in-store merchandising than restaurants do.

SERVICES BOOST VISIBILITY

Dramatic new service strategies also could sharpen the image of supermarkets as foodservice operators. "When people visit our stores, they can pick up a gourmet meal and fresh fish, paper towels, cash from the automatic teller machines and postage stamps," says Nancy Lazara, vice president, Larry's Markets, Seattle.

The director of prepared foods at a 66-unit Eastern supermarket chain notes, "We are competing with restaurants for the business lunch trade by installing fax machines in all our delis." The new program should give the store's catering department a boost as well.

Delivery vans are nothing new for supermarkets; after all, customers often request grocery delivery to their doors. "Increasingly, vans equipped with special thermal-insulated and refrigeration units will bring fresh prepared foods to customers," says one supermarket consultant.

Food courts, cafes and restaurants represent supermarket strategies adopted from traditional foodservice operations. The Roche Bros. food court located in the company's Millis, Mass., superstore, sells sandwiches at the Carvery, barbecued chicken at the Rotisserie, prepared foods at Piece Meals, plus pizza and traditional deli foods. Each area mixes self-service with staffed counter service. The food court has a separate entrance, separate checkout registers and a small cafe for hungry patrons to eat the foods immediately.

To speed customers on their way, some supermarkets have installed separate checkout counters for prepared foods. One rural Illinois supermarket has even had success with a "drive-thru" window for deli sales.

EXPANDING FOOD CHOICES

The range of prepared foods found in supermarkets is growing. One New England chain, Bread & Circus, bills itself as a whole-foods supermarket. Its prepared foods "are made from scratch, without preservatives, sugar, additives, or extenders," says Store Manager Lynn Randall. "We design our menu to include items for people on restricted diets, such as wheat-free, vegetarian, lactose-free, or diabetic diets." That can include vegetarian California rolls, Japanese udon-tofu salad or pasta salad made with rice noodles instead of traditional durum-wheat pasta.

Decadent desserts sell well, too. Bill Allen, vice president of Chicago's Treasure Island Supermarkets, says, "When we remodeled a store recently, we added a bakery to our deli opera-

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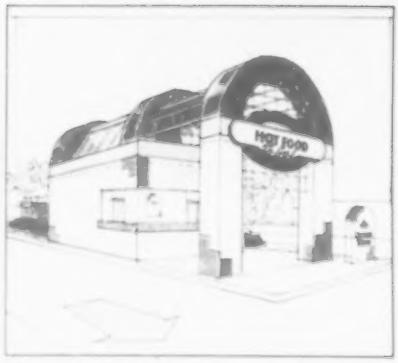

Fax machines at Larry's Markets (top) pull in more business for the catering department. A rendering (above) by Howard Solganik & Assoc. shows a proposed supermarket drive-thru.

SUPERMARKETS SWING INTO FOODSERVICE

As supermarkets sharpen their competitive edge, watch for more:

- **Store-made pizza—close to 50% of delis now offer it.**
- **Commissaries for supplying the deli operations.**
- **Coffee makers and cold-drink dispensers, designed for immediate consumption rather than carry-home business.**
- **Drive-thru windows and supermarket parking lots with easily accessible fast-food kiosks.**
- **Prepackaged sandwiches and portioned salads.**
- **Merchandising of "go-withs" for complete menus and menu ideas.**
- **In-store sampling of prepared foods and teasers such as pizza slices.**
- **Single-portion drinks to go with prepared sandwiches and baked goods.**
- **Creative displays of prepared entrees, salads and desserts.**
- **Professional cooks, chefs and chef consultants working for in-store kitchens or commissaries supplying the deli.**
- **Seating such as hospitality corners with free coffee, ideally located near the bake shop.**
- **Special checkout counters and deli cashiers to combat the speed-of-service problem.**

SUPERMARKETS

A well-planned deli case displays 60 to 90 prepared-food items.

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tions. When people smell the cakes and cookies, they flock to the counters." Most prepared-foods operations include a sampling of luscious baked goods, individual custards and sweets. Often, an in-store bakery provides these items, or a pastry chef will work with the prepared-foods staff.

Takeout foods can be located in several areas of a supermarket, not just in the deli counter. Demonstration kitchens merchandise the actual preparation of foods as well as the end product. Kiosks for pizza makers enable customers to get a close view of production.

Salad bars often are found in the produce section. The sight of mounds of colorful fresh produce surrounding the salad bar enhance consumer perceptions of freshness and quality.

Food presentation and luxury packaging also attract customers. "Containers and serving dishes may be sales tools if they look elegant and present food well," says John Ebbert of the Hubert Co., Cincinnati. "For example, black enamel steam-table pans present a more upscale image than do plain, institutional stainless-steel ones."

Signage and countertop displays in supermarkets often take their cues from retail merchandising pros. "Look at what Neiman Marcus and Nordstrom do with their food departments," says Ebbert. "Those stores don't just stack up slabs of turkey breast." Norma Robinson, director of merchandising at Hubert, says, "Everything has to look appetizing to justify the pricing in the consumer's eyes. We use table settings, china, anything that looks good. Even simple touches such as tucking a linen napkin inside a crystal goblet, set next to a tray of hors d'oeuvre samples, will make the food more enticing."

INVESTING IN MORE SPACE

As supermarkets expand the space devoted to delis to make room for prepared-foods sections, the average deli size is increasing by 25% to 50%. The Food Institute, a New Jersey-based research firm, reports that average retail space for prepared foods has increased by 35%, to 475 square feet, since 1985. Another consultant estimates that larger stores average "at least 1,000 to 2,000 square feet of retail space for prepared foods."

New superstores (built to cover 40,000 to 70,000 square feet) are springing up nationwide. From small independent markets such as Larry's Markets to major food retailers such as Cincinnati-based Kroger, new stores now mean bigger stores. This permits the allocation of space for the countertop displays, sampling stations, open demonstration areas and packaging operations that are so important to the marketing of prepared foods.

Ann Brody, a supermarket foodservice consultant in Bethesda, Md., says, "Prepared foods require plenty of space, especially if all foods are made from scratch." A chef's office, with adequate space for computers to track orders and inventory, prep and refrigeration space, and merchandising displays can easily triple the space previously set aside for prepared foods.

And Bill Allen of Treasure Island points out, "When you've got more

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Luxury baked goods are a specialty of Bread & Circus, a whole-foods supermarket company.

SUPERMARKETS

Sampling and demonstration areas to market takeout food demand valuable space.

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space, you get more sales." Since adding another 10,000 square feet to its Broadway store, "our takeout business has jumped by 30%," Allen says.

For some supermarkets with hundreds of existing units, the only way to make room for prepared foods is to abandon other store departments or remodel. "I know of one chain that decided to give up its staffed video departments in favor of installing video rental machines," says an industry consultant. "With the extra space, the stores expanded the retail area for prepared foods."

A commissary or central kitchen can help conserve precious space. Bread & Circus operates a commissary for most of its prepared foods. Both labor and real estate costs are high in New England, so it makes good economic sense to centralize kitchen operations. One industry consultant estimates that as little as $350,000 or as much as $3 million can be spent in outfitting a central kitchen (the higher figure includes architect, designer and other consulting fees).

"When you consider that up to 50 supermarkets may be served from just one large, well-equipped central kitchen, the payback is fairly rapid," says foodservice consultant Mark Caraluzzi. It certainly is less costly than installing minikitchens in each of the 50 units that a single central kitchen could serve." He adds that quality control is easier in a central kitchen.

Caraluzzi's own experience points to the phenomenal growth in supermarket foodservice. His American Cafe restaurant chain in Washington, D.C., used one central kitchen to prepare foods for nine units. The benefits of such centralized operations for foodservice apply to supermarkets as much as to restaurants.

Central kitchens require precise, just-in-time delivery to each unit for ultimate freshness and quality. "From-scratch operations demand better packaging, transportation and distribu-

SUPERMARKET TAKEOUT

The following takeout items are most often carried by supermarkets. The percentages represent the number of operations that carry an item.

HOT FOOD	
Fried, roast or barbecued chicken	69%
Fresh pizza	48
Macaroni and cheese	36
Ribs	35
Soup (not canned)	31
Baked or fried fish	27
Italian food (other than pizza)	25
Hot dogs	24
Mexican food	15
Chinese food	12
Hamburgers	11
Japanese	6

COLD FOOD	
Prepared salads	70%
Sandwiches	60
Salad bar	40
Shrimp, lobster, crabmeat	32

Source: Campbell's/FMI Survey, by Lieberman Research

The Hubert Co. uses serving dishes and containers as sales tools.

tion," Caraluzzi says. (Central kitchens are subject to federal inspection by the U.S. Department of Agriculture, as well as state regulations.

STAFFING UP FOR FOODSERVICE

Carin Solganik, a former hotel beverage manager turned industry consultant, points out that opportunities are opening up in top management, as well as at the entry level: "Supermarket executives know that they need expert help, so they are willing to hire people with the right experience." The candidates from other branches of foodservice include chefs, hotel foodservice managers and caterers.

Supermarkets might have an edge in recruiting entry-level staff, because entry-level wages are above the minimum wage often paid by small restaurants. "We pay our beginning clerks $2 more per hour," says the manager of prepared foods of a major New York State supermarket chain. "We want to attract higher-caliber workers who will stay with us."

Customer feedback helps supermarket companies decide which foodservice concepts work best.

Nancy Lazara of Larry's Markets looks for employees with prior foodservice experience, particularly with hotels. Lazara, a Cordon Bleu graduate and professional chef, says that the advantages of working for supermarkets include "saner hours, fewer emergencies and better benefits."

"Last month, we hired 150 employees to help with the foodservice operations for our newest store," she adds. She admits that Larry's Markets is unusual, saying, "What we do here is very time- and labor-intensive, and requires a completely different mind-set from running a grocery store."

Ten percent of the supermarket staffers are actually trained cooks or chefs. "Operators who are serious about doing prepared foods right will hire trained cooks or chefs, some straight from cooking school," says Corrol Brown, of Cullum Companies. "For some chefs with a lot of restaurant experience, it can be an adjustment," he adds. "Supermarkets aren't really restaurants, nor are they like hotels. It's

Look who ran away with the fork, the knife and the spoon.

Campbell

SUPERMARKETS

Self-service solves part of hourly labor problem.

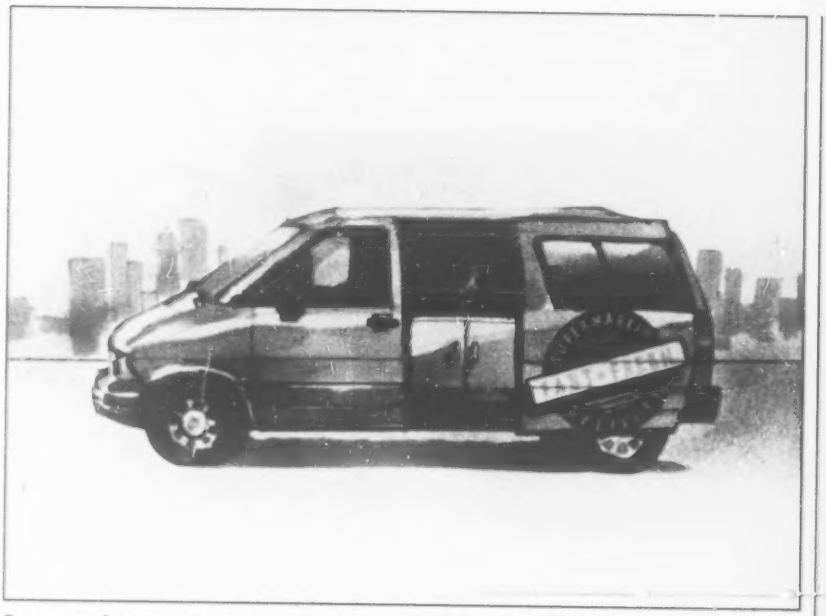
a new niche for foodservice."

Newly hired Executive Chef Jay Lines will work with Brown in opening a new Simon David store in Fort Worth, Texas. The prospect excites Lines, particularly since he has control over the prepared foods kitchen design and layout—an opportunity not many employers can offer.

To minimize staffing needs, about 40% of supermarkets have designed prepared-foods sections to accommodate both self-service and counter service, according to Neilsen Marketing Research.

A DIFFERENT KIND OF BUSINESS

"It's a different kind of business for supermarket executives used to buying and selling products in huge volume," Brody says. "They now must get in-



Supermarkets used to take groceries to customers' doorsteps. Now some are competing with restaurants by delivering prepared foods.

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Prego®

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For information circle 33

As supermarkets learn to capture the decor and menu of an independent restaurant, more customers will opt for in-store dining.

volved in manufacturing, and not all of them are comfortable in that new role."

Prompt distribution and food safety are central concerns of supermarkets getting into foodservice. Caraluzzi insists on fast chilling of foods and rapid transport to the satellite store. "Rapid cooling will preserve texture, taste, color, and best of all, a longer, safer shelf life for the product," he says.

Brody says that supermarkets are learning to control shrink by using inventory control forms, setting timetables for production and sale of each item, and learning to base the prepared-foods production cycle on forecasts, not actual sales.

The increased reliance on prepared foods is forcing supermarkets to practice what some call "the religion of refrigeration," to ensure that foods stay at safe temperatures. Case maintenance, cleaning and sanitation are important training issues. One supermarket manager even sent a prepared-foods department manager to classes

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Chefs Kettle®

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For information circle 34

SUPERMARKETS

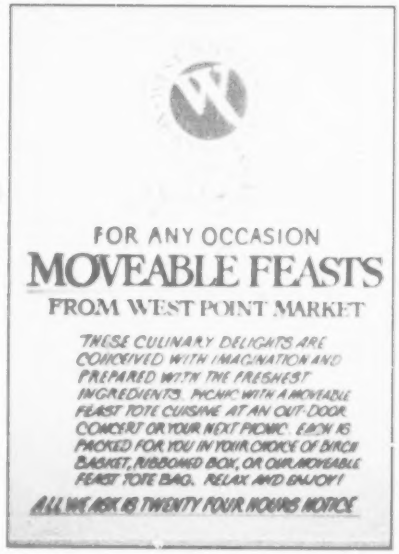
Refrigeration know-how ensures food safety.

on refrigeration. "We felt it made good sense for us to have a refrigeration expert on staff at all times, given the level of our investment in prepared foods," he says.

The director of prepared foods for a major California supermarket chain says, "We have to do a better job of training our employees to handle foods safely. Just one problem with food contamination or illness could pose a big threat to the prepared-foods industry."

William Haines, director of the Food Industry Institute, Michigan State University, East Lansing, agrees. "Supermarket takeout foods have a longer time span between preparation and the actual time of consumption. We see that as a vulnerable area for the industry," he says.

Other training issues loom large, as well. Prepared food staff need to know more than how to stock a shelf, notes Ann Brody. "Salespeople must take the lead in advising customers about the kinds of dishes available, how they should be reheated at home, serving suggestions and more," she says.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West Point Market's promotional materials encourage customers to try services such as fancy picnic lunches in the packaging of their choice.

WHAT'S COMING

Despite these challenges, supermarkets' resources place them in good stead to compete with traditional foodservice operations. Already prepared to offer services as diverse as catering ethnic food and steaming seafood for customers, supermarkets are making the capital investments that could establish them as major players. Some experts say that by the end of the century, supermarkets will be devoting at least one-third of their space to prepared foods.

If their projections come true, supermarket customers will be able to shop for a week's worth of meals without buying any groceries.

—Lucy Saunders

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